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By FR 1-47-04

Approved For Release 2007/02/07 : CIA-RDP57-00384R001200010163-0

22 January 1951

MEMORANDUM FOR: ASSISTANT DIRECTOR FOR OPERATIONS

SUBJECT : Reporting of Income

1. Returned herewith is a rough draft of a memorandum prepared by Mr. Ashcraft in connection with the reporting of income paid to field contacts for services.

2. There is no legal objection to the dissemination of the memorandum in its present form.

3. From a nonlegal standpoint, there is a question concerning the advisability of instructing the payee to report the income as received from a "Special Project of the United States Government." This would seem to focus attention upon the individual's return. In the past, this office has advised OSO and OPC that covert individuals should indicate that income is received from some appropriate [ ] which varies with the [ ]. While OSO and OPC utilize this method, it may or may not be advisable for [ ] to follow the same procedure. Mr. Ashcraft's suggestion may be more practical and secure in connection with your problem, and our comments should not be construed as precluding the approval of his memorandum.

4. In addition, this office recommends elimination of the phrase, "we are not in the business of preventing tax evasion," which is in the first paragraph of Mr. Ashcraft's draft. While it is true that CIA is [ ] the phrase may convey the impression that the Agency tolerates such illegal conduct.

5. In the event that any payee's source of income is questioned as a result of Mr. Ashcraft's proposal, we shall be happy to be of assistance in clearing the individual concerned with the Bureau of Internal Revenue. We have developed a close working arrangement with the Bureau as a result of a letter from Admiral Hillenkoetter to the Commissioner of Internal Revenue, in which the Admiral designated this office as liaison with the Bureau in such matters.

LAWRENCE R. HOUSTON  
General Counsel

Encl:

Draft as described above.

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cc: / Subject  
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Legal Decision  
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